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E.O. 12958: DECL: 01/30/2018  
TAGS: [ECON](#) [ENRG](#) [PBTS](#) [PGOV](#) [PREL](#) [MD](#) [RU](#)  
SUBJECT: GAZPROM AND MOLDOVAN (TRANSNISTRIAN) GAS DEBTS

REF: CHISINAU 89

Classified By: Ambassador Michael D. Kirby for reasons 1.4(b) and (d)

11. (C) SUMMARY: Gazprom continues to press Moldova to repay its debts to Gazprom, which have been mostly accrued by Transnistria (TN). One possible solution, a debt-for-share swap with Gazprom's obtaining more MoldovaGaz shares is gaining momentum. Gazprom remains concerned about property rights in Transnistria. MoldovaGaz, meanwhile, is re-evaluating its assets on the right and left banks (with Gazprom and Tiraspol's cooperation) and exploring ways to take advantage of Moldova's capital legalization to re-value the company. The debt issue reminds us that the TN conflict is just as much economic as ideological or political -- too many people are making too much money to just let go. END SUMMARY.

GAZPROM, DEBTS AND TRANSNISTRIA  
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12. (C) Econoff met with Ghenadie Abashkin, President of MoldovaGaz, to discuss reports that Gazprom was ready to negotiate a separate contract with TN and split Moldovan debts between right- and left-bank Moldova (reftel). Abashkin explained that the possibility was being explored. He said he had met with TN leaders, including "President" Smirnov and TN Supreme Soviet (parliament) Speaker Shevchuk, discussing a possible debt-for-share swap with Gazprom. Abashkin said Smirnov indicated his desire to divest TN's shares from MoldovaGaz, and swap TN's gas debts for assets on the left-bank. He stated that Smirnov's recent public comments that TN would pay USD 192/tcm for natural gas were untrue. Transnistria had only signed an agreement with MoldovaGaz acknowledging the volume of natural gas destined for right- and left-bank Moldova and transit volume for the first quarter of the year, but not agreeing on price. Abashkin said Gazprom was annoyed by TN's taking of natural gas, especially since Gazprom was subsidizing the profits of TN enterprises (Moldavskaya GRES power plant, for example). MoldovaGaz and Gazprom want TN's largest industrial consumers to pay right-bank prices for natural gas.

A SOLUTION IN THE WORKS?  
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13. (C) Abashkin said he had hired consultants to evaluate the gas-infrastructure assets in TN and to explore a possible reorganization of MoldovaGaz. He said the plan was to re-evaluate all of MoldovaGaz's assets (right- and left-bank), something that hadn't been done since the company was established in 2000. Creating a separate legal entity responsible for the left-bank (Abashkin was unclear about the details), coupled with a re-evaluation of assets and capital legalization, would allow MoldovaGaz to re-organize itself

with a higher value and isolate the debt. Abashkin believed Gazprom's share of the new company would be worth about USD 250 million.

14. (C) Abashkin said Gazprom was pressuring MoldovaGaz on the debt issue. He said that in late 2007 Gazprom had taken MoldovaGaz to arbitration over the debts accumulated from 2005 to the present. In early January the case was dismissed as the arbitration board found that Gazprom (a major shareholder of MoldovaGaz) was also at fault for the accumulation of debts. (NOTE: Gazprom previously sold Moldova's pre-2005 debts to an affiliated Russian company, Factoring Finance. END NOTE.) Abashkin said Gazprom's moves stemmed from pressure it received from the Russian tax service to account for Moldovan (Transnistrian) debts. He said Gazprom was pushing MoldovaGaz to take legal action against domestic Moldovan debtors, which are mostly state-owned companies. Abashkin opined that ultimately any legal action would lead these companies to bankruptcy, forcing the government to assume their debts.

COMMENT

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15. (C) It seems that Gazprom, MoldovaGaz and the TN authorities are moving forward on a possible solution to the debt issue. A final resolution remains intertwined with the political discussions about a possible resolution to the TN conflict. Any debt-for-share swap can only go forward if the Government of Moldova can provide Gazprom (and Moscow) solid guarantees that Russian-owned property rights in TN will be protected post-resolution. We expect the Moldovan government will continue to include TN property-rights issues in its package approach to solving the TN conflict. END COMMENT.

KIRBY